



Forum on

Transportation Investment

Interim Summary of Materials Presented to the FTI

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INTRODUCTION

The Forum on Transportation Investment has now completed three of its seven meetings to look at how we should invest in Idaho's transportation future. These first three meetings have been filled with extensive information.

Idaho's current funding, national and statewide trends, and the current status of the different modes of surface transportation highlight just a few of the topics participants have investigated. They have been presented with estimates of Idaho's transportation needs varying from approximately \$8 billion in backlogged projects alone to \$20 billion in total demands for future needs.

This document highlights the information presented to date, and provides information and perspective on funding Idaho's transportation system for the next 30 years. While not all inclusive, this document is provided as an interim summary for use by Forum members to focus the discussion on the funding options needed to ensure an economically beneficial, safe, and efficient transportation system in Idaho.

STATE AND NATIONAL TRENDS

How Job Outsourcing, High-Tech Information Services, and Hybrid Vehicles/Alternative Fuels will Affect Transportation Nationally and in Idaho

- 1. Job outsourcing is real and is a threat to our core economy.** We are competing with China and other developing countries for gas. They are currently strengthening their abilities to produce for worldwide markets, while we are seeing a decline in our agriculture and other businesses that rely upon transportation systems to move their products to export. Even so, both import and export rely on efficient transportation systems to stay competitive and it will fall to our shoulders to keep our system viable.
- 2. The trend is to a high-tech information services economy that requires skilled employees.** Employers are searching for this type of employee wherever they can find them. You are currently holding your own in Idaho because you have high-quality of life amenities, which attracts high-tech employees to settle here. Your state offers wonderful recreation opportunities, but as the U.S. Forest Service and other governmental agencies face continuing budget cuts, campgrounds and trails may be closed. Many people enjoy the outdoors, but if they can't get to it, they won't be able to enjoy it. We are going to have to find a way to sustain recreation access. The economy of the West used to be centered on agriculture, mining, and lumber, but increasingly tourism, recreation, travel, retirement, and service industries are expanding our economy. No matter what our economy is based on, it revolves around transportation. It is the foundation that drives everything else.
- 3. The popularity of hybrid vehicles and alternative fuels may affect transportation and erode fuel tax revenue.** Ethanol is an immediate problem. In the next ten years, ethanol usage will reduce fuel tax revenues by \$4 billion. Congress is already moving ethanol tax to transportation revenue, but the current tax breaks will have to be modified as consumption grows. By 2015, 15% of our vehicles will be some type of hybrid; and by 2020, electric vehicles are predicted to also impact fuel consumption. Additionally, we are losing 26% of our potential fuel revenue by not indexing taxes to the cost of living increases. Finally, worldwide demand for gas is increasing. Gas prices are currently above \$2 per gallon. U. S. consumers would probably need a \$4 per gallon price to seriously alter their gas consumption. This could conceivably happen in the next 40 to 50 years.

—Excerpted from the September 27, 2004 speech delivered by John Horseley, executive director of the American Association of State Highway and Transportation Officials, to the first meeting of the Forum.

FUTURE GROWTH

Change, Challenge, and Strategic Thinking

- Idaho's population is predicted to grow 56% by 2030.
- At 56%, Idaho's growth will be twice that of the national average.
- At the current pace, the physical public infrastructure in many areas of the U.S. is deteriorating 8 to 10% faster than it can be rebuilt.
- The latest figures indicate that it would cost more than \$500 billion to repair/renovate the road and bridge infrastructure in the United States. Idaho figures range from \$3.2 billion to over \$8 billion through 2017.
- Idaho has seven high growth/stress regions:
 - North Idaho (Kootenai and Bonner Counties)
 - North Central (Latah and Nez Perce Counties)
 - Central (Valley County)
 - West Central (Gem, Washington, and Payette Counties)
 - Treasure Valley (Canyon and Ada Counties)
 - South Central (Blaine, Gooding, Lincoln, Jerome, and Twin Falls Counties)
 - Eastern Idaho (Bonneville and Bannock Counties)

—Summarized from the September 27, 2004 presentation given by John Luthy, president of the Futures Corporation, to the first meeting of the Forum

IDAHO'S TRANSPORTATION VISION

Public Opinion Regarding Idaho's Transportation Issues

The Idaho Transportation Department conducted a scientific survey in 2003 to develop a picture of transportation in Idaho from the perspective of its residents.

The survey was designed to develop a profile of Idahoans' experience and thinking about:

- Travel within and between communities
- Difficulties encountered while trying to get around in Idaho
- The impact of transportation issues on daily life
- Commuting to and from work or school
- Transportation issues facing Idaho, now and in the future
- Specific components of the transportation system
- Impacts of the transportation system on other aspects of life in Idaho
- Causes and potential solutions to transportation problems.

This was one of the most comprehensive surveys of public opinion about transportation issues ever conducted in Idaho. Approximately 600 randomly selected Idaho residents—100 in each of the state's six transportation districts—were interviewed by telephone in January 2003.

Key Findings from the Survey:

- Idaho's transportation system was rated as generally "Satisfactory."
- No transportation issues stand out as being especially significant to a large number of respondents.
- Mobility was not seen as a significant problem.

IDAHO'S TRANSPORTATION VISION (continued)

- Most said it was easy to get around their communities (except by public transportation or wheelchair).
- Most said it was easy to get from their community to other communities in the state.
- State transportation generally rated higher than community transportation.
- The top two issues (congestion and deterioration of roads) were seen as getting worse into the future.
- Public transportation is seen as a significant weakness in the system
- More gave public transportation an “F” than an “A” by a 4 to 1 margin.
- Lack of transportation options and insufficient public transportation were the number 1 and number 2 “major causes” of transportation problems in Idaho by 6 in 10 respondents
- Transportation is seen as “Very Important” to many facets of life in Idaho, and more helpful than harmful to each of those facets.
- Citizens’ focus is on roads. Most of the time, questions about travel difficulties or suggested transportation improvements elicited answers about roads and highways.
- Population growth was rated among the “major causes” of transportation problems in Idaho, but not land use patterns.
- 6 in 10 said the number of people moving into the area was a major cause of problems.
- 5 in 10 blamed people driving more and further.
- 4 in 10 said housing being built further away from jobs was a major cause.
- 2 in 10 blamed more jobs being created outside of towns.
- Favored remedies focus on transportation, not land use or behavior.

IDAHO'S TRANSPORTATION VISION (continued)

- 1 in 2 favored more public transportation and low density housing.
- 1 in 4 favored making driving easier and low density housing.
- 1 in 10 favored public transportation and high density.
- 1 in 16 favored making driving easier and higher density.
- For their communities, about 1/3 favored road improvements and 1/3 public transportation improvements.
- For the state, road improvements were favored over public transportation improvements by 2 to 1.
- Fewer than 1 in 4 have made lifestyle changes because of transportation issues, fewer still have seriously considered such changes.
- The changes people are most likely to have made are walking or bicycling more (24%) or buying an additional vehicle (22%).
- 1 in 4 commuters has car or van pooled

—The Idaho Transportation Vision survey was administered by Elway Research, Inc., of Seattle. The questionnaire was designed by Elway Research in collaboration with CH2M Hill and representatives of the Idaho Transportation Department.

TRANSPORTATION STATISTICS / NEEDS

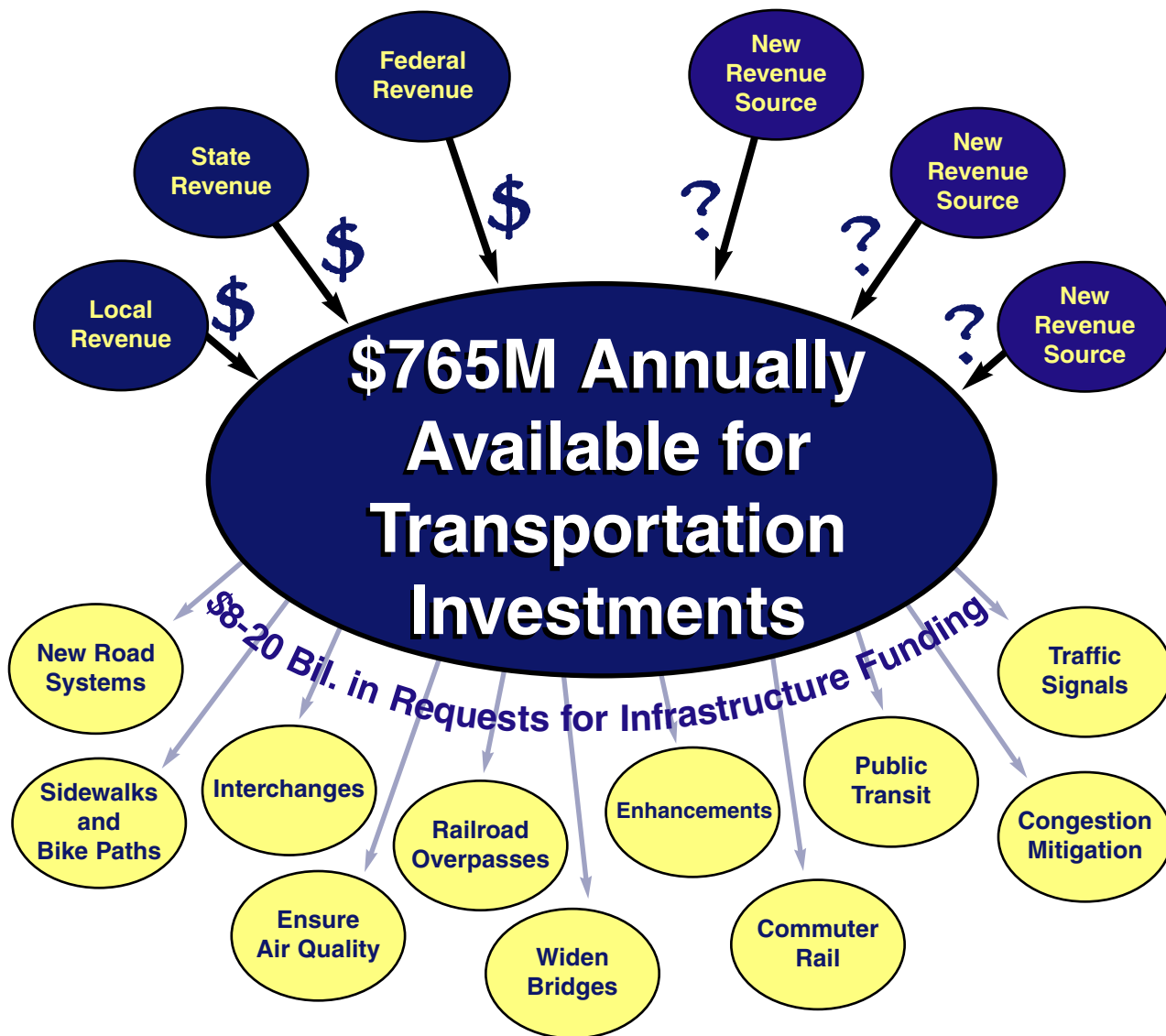
In Idaho:

- 91.2% of people's movement is done by private car and 94% of this travel is done on highways.
- 76.3% of travel to work is done in a single-occupant vehicle. (Nationally travel time to work has increased from an average of 22 minutes and 30 seconds in 1990 to 24 minutes and 20 seconds in 2000.)
- The average commute is between 18 and 22 minutes.
- 26% of the major urban roads are congested.
- Between 1990 and 2000 traffic on rural interstates has increased 36%. The equivalent axle loads have increased 88%.
- 75% of major roads are in good condition while the remaining are in mediocre or poor condition.
- 82% of bridges are in satisfactory condition, 18% are deficient or functionally obsolete.
- 5% of travel is by air and 2% is by mass transit.
- Since 1978:
 - The annual vehicle miles traveled has increased by 104%.
 - The number of passenger vehicles registered has increased by 93%.
 - The number of licensed drivers has increased by 63%.
 - The population increased by 51%.
 - The total gallons of highway fuel consumed increased by 46%.

—Excerpted from the April 28, 2005 presentation by Scott Ellsworth, chairman of the Idaho Highway Users, to the third meeting of the Forum.

TRANSPORTATION STATISTICS / NEEDS (continued)

Available Transportation Revenue vs. Funding Requests



IDAHO CITIZENS WANT A TRANSPORTATION FUTURE THAT¹:

- Creates a multimodal system providing individuals with choices.
- Supports Idaho's quality of life, respects its history, and protects its environment.
- Engages people and businesses who use and operate the system in making transportation decisions.
- Achieves their goals within the bounds of reasonable funding in new and creative ways!

Idahoans have requested innovative, efficient, and responsive transportation financing mechanisms and funding to meet long-term system expansion demands for roads and public transportation².

This demand is being fueled by Idaho's emergence as a major economic center, the impact of a diversifying economic base, the quality of life available here, and the aging infrastructure³.

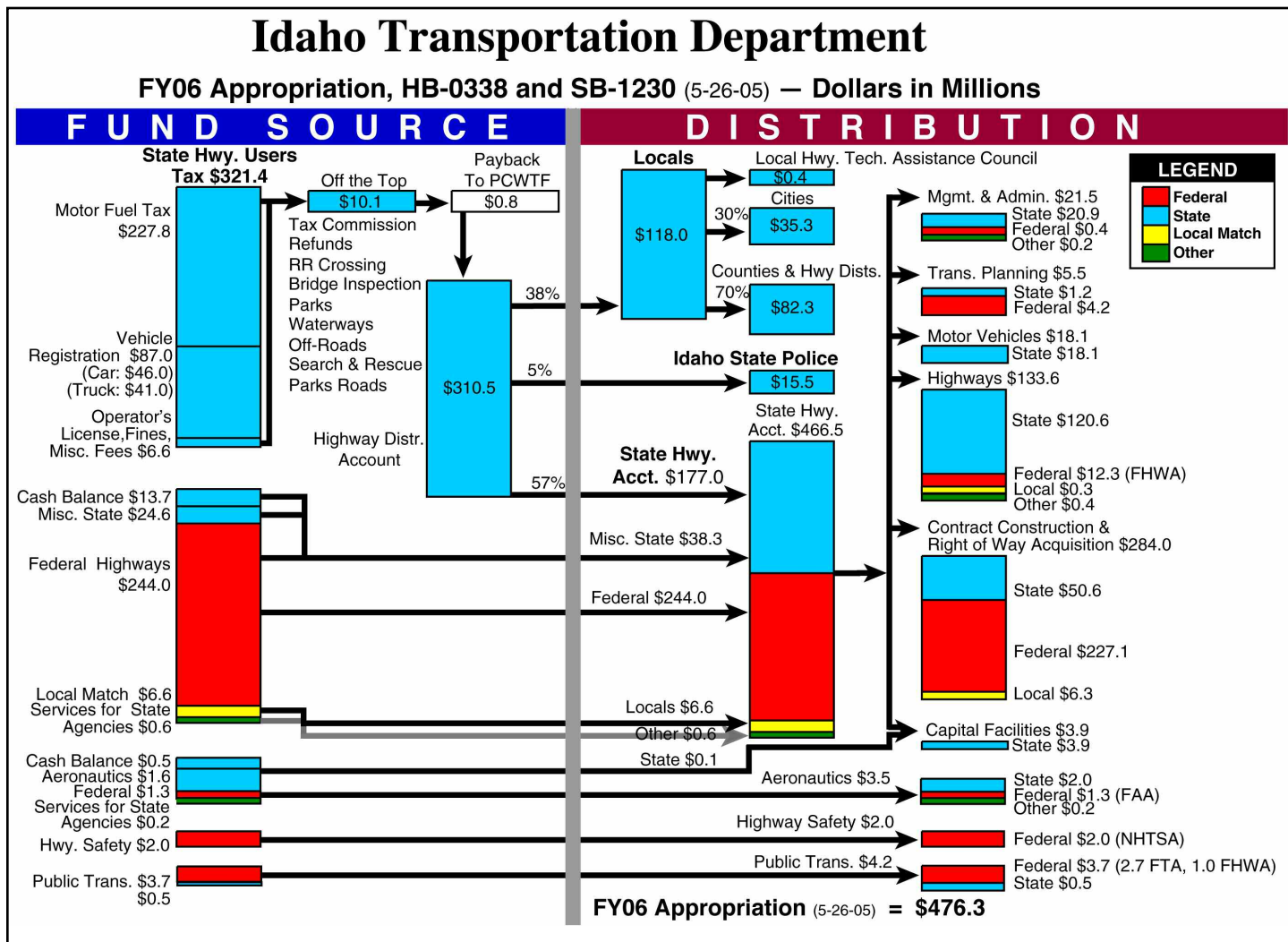
¹ "Idaho's Transportation Vision: 2034," Idaho Transportation Department, 2004.

² Projected Capital Improvements to 2035," Forum on Transportation Investment and "Report of Findings and Conclusions", Idaho Transportation Resource Task Force, March 2003.

³ "Transportation: Invest in America, The Bottom Line," AASHTO by John Horsley.

TRANSPORTATION STATISTICS / NEEDS (continued)

Idaho Transportation Department Fund Sources and Distribution



PUBLIC TRANSPORTATION

Background Information:

- Many factors are affecting the increase in gas prices, including the limitation of new oil refineries in the U.S. and the high demand from new marketplaces like China.
- America's population is aging and those people need options to be able to not only get to medical appointments but to also stay active as contributing members of their family and community.
- In addition to seniors, public transportation also offers choices to transit dependent populations like the young who don't drive and parents with more kids than cars.
- Idahoans support more transit investments statewide, not just in urban areas.
- Idahoans believe the cause of transportation problems statewide is the lack of options.
- The benefits of transit are increased mobility, economic development, access to jobs, access to community services, and cleaner air and water—but none are possible unless people ride and ridership in Idaho is relatively low. This is a real issue in Idaho.
- The trade-off between level of service (capacity, operating speed, or travel time) and costs (both capital and operating) is fundamental in public transportation.

Perspectives on the Future of Idaho's Public Transportation:

- The quality of service must be present, including clean buses, courteous drivers, convenient routes and frequency of service.
- One size does not fit all. Rural communities require more customized services. The elderly and persons with disabilities require lift-equipped vehicles and specially trained drivers. Urban areas must emphasize commuting patterns and service to low-income areas and areas that have a higher percentage of senior residents.
- The technology for transportation is expanding, including websites that offer trip planning and schedules, priority signals for buses at congested intersections, hybrid buses, and computerized scheduling to coordinate human services transportation trips.
- Partnerships must be part of any transit agency's success factors, and the business community and nonprofits can play a big role in supporting and financing services.
- Efficiency and financial accountability are expected.

—Summarized from the April 28, 2005 presentation given by Rick Krochalis, Region 10 administrator for the Federal Transit Authority, to the third meeting of the Forum.

FUNDING SUMMARY

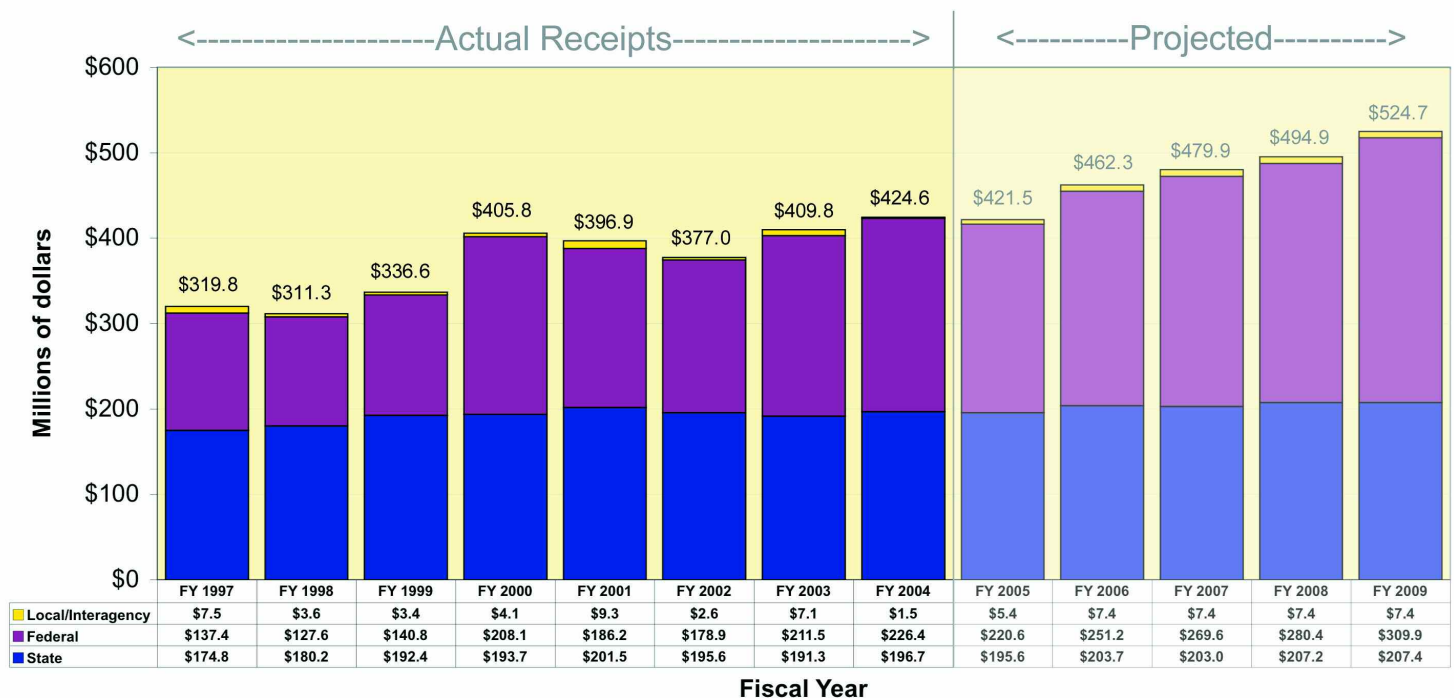
Revenue Sources:

Idaho's current transportation revenue consists primarily of federal and state revenues derived from fuel taxes and vehicle user fees. Final distribution of these revenues is made through the Highway Distribution Account (HDA)*.

Forum members are tasked with looking for other revenue options available to the state for investing in the transportation system.

TOTAL ITD FUNDING (FY97 - FY09)

(Total Funds, Dollars Rounded and in Millions)

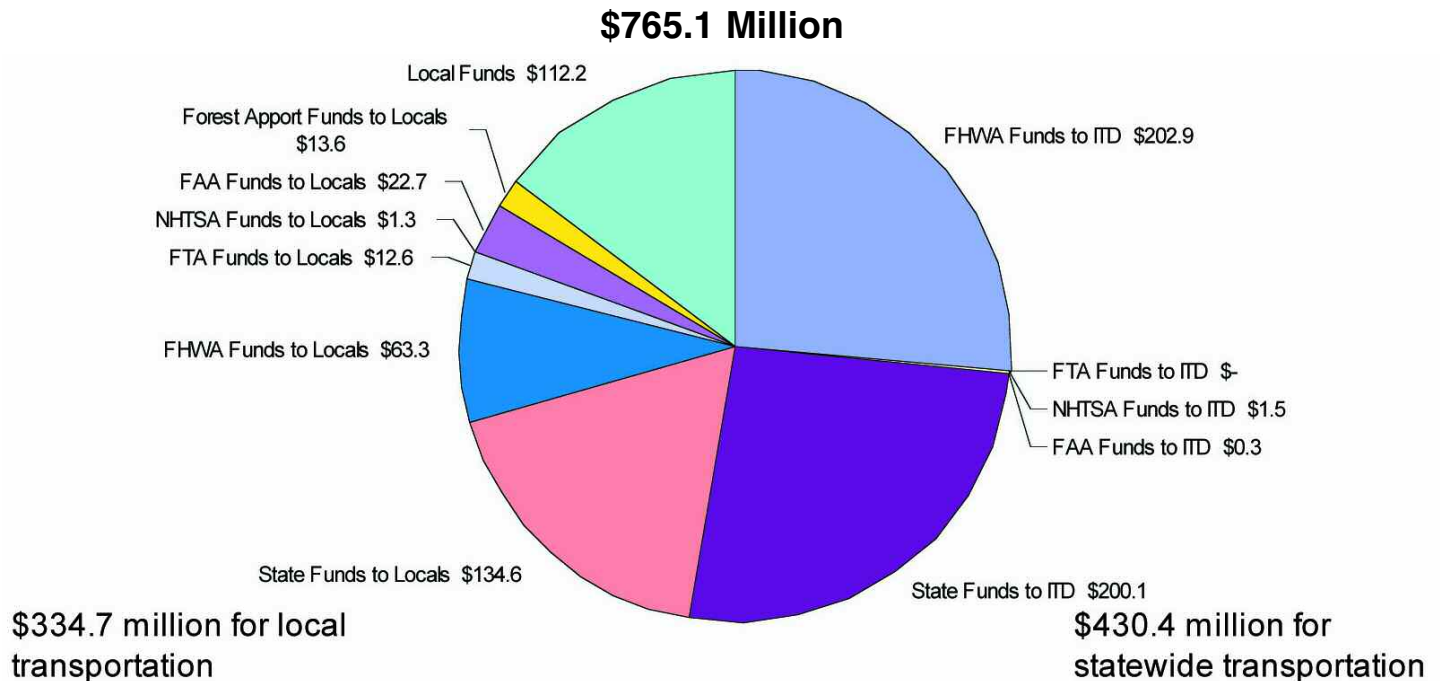


*HDA revenues are comprised of the following state highway user taxes:

- motor fuel tax
- vehicle registration fees, and
- operator fees and fines.

FUNDING SUMMARY (continued)

IDAHO'S TOTAL FY06 TRANSPORTATION FUNDING TO ALL ENTITIES



The chart above shows the projected FY06 funding to all transportation entities in the state. The funds are received from **local sources** (property taxes, local option taxes, etc.), **state sources** (Highway Distribution Account [HDA]), and **federal sources** (highway user taxes, National Forest Reserve Apportionments, Federal Transit Administration, etc.). Listed below are the factors impacting the distribution of those funds.

- Idaho's total land area is 82,751 square miles, 63% of which is federally owned.
- A total of 289 cities, counties, and highway districts receive funds from the HDA.
- There are 47,101 miles of roads in Idaho, 4,951 of which are under state jurisdiction, including interstate and U.S. highways. 33,783 miles are under the jurisdiction of cities, counties, and highway districts. The remaining miles are a mix of U.S. Forest Service, Bureau of Indian Affairs, National Park Service, state park, and military roads.
- The 2004 Census estimates Idaho's population at 1,393,262 persons.
- In calendar year 2004, vehicles traveled 14.5 billion miles on Idaho roads and streets (approximately 78 round trips to the sun).

FUNDING SUMMARY (continued)

30-Year View of the Highway Distribution Account—2005 to 2035

- Idaho's population is expected to grow by about 1.5% annually through 2035.
- Major contract construction costs (right-of-way, preliminary engineering, and construction) have been increasing at about 5.6% annually.
- Miles per gallon will rise as fuel prices remain high as consumers will look to greater automobile efficiencies in the form of alternative fuels and hybrid vehicles.
- Greater miles per gallon in new vehicles will increase the vehicle miles of travel on Idaho roads.
- Disruptions in fuel supplies from the middle east (terrorism factor or change in governments) could cause fuel shortages and major increases in fuel prices .
- There have been no new refineries built in the U.S. since the late 1970s. Without new refining capacity refined fuel will have to be imported at higher costs.
- Idaho's increasing population will demand more transportation services, thus increasing the need for more highway capacity.
- Contract construction costs will continue to increase at the 6 to 7% level. Land prices will increase beyond the 13% annual inflation rate reflected in the historic costs.
- Right of way costs in urban areas (where the traffic demand will increase the fastest) will show significantly faster inflation causing less construction work to be done as the limited dollars are spent on land purchases.
- Revenue to the HDA is expected to increase at less than 1% per year through the long term if there are no changes to the supply and prices do not increase faster than in recent history.
- As the miles per gallon in new vehicles increases, the demand for additional road capacity will continue while the revenue declines.

FUNDING SUMMARY (continued)

- National policy may also affect the revenue stream if, for example, there is a return to the oil embargo of the 1970s and prices continue to increase there could be a loss of 20% of the taxable fuel, similar to the loss from 1979 to 1982.
- Given the long-term impacts of these assumptions, transportation entities in Idaho could lose the buying power of 4 to 5% per year due to construction-cost inflation and slow revenue growth.

—Prepared by Economist Doug Benzon, June 13, 2005, Economics & Research Section, Idaho Transportation Department